

CITY OF GUTTENBERG

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

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CITY OF GUTTENBERG

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gerald Block	Mayor	Deceased Feb 15, 2011
Russell Loven	Mayor (Appointed Mar 17, 2011)	Nov 8, 2011
Ralph Livingston	Mayor Pro Tem	Jan 2014
Howard Hubbell	Council Member	Jan 2012
Rex Svoboda	Council Member	Jan 2012
Steve Friedlein	Council Member	Jan 2014
John Hess	Council Member	Jan 2014
Barry Dykhuizen	Manger/City Clerk/Treasurer	Indefinite
Julie Zittergruen	Deputy Clerk	Indefinite
Michael Schuster	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Guttenberg, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Guttenberg's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Guttenberg Municipal Hospital, which represent 99.5 percent, 99.8 percent and 99.9 percent, respectively of the cash basis net assets, receipts and disbursements of the aggregate discretely presented component units. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Guttenberg Municipal Hospital, are based solely upon the report of the other independent auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2010.

In our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2010, as discussed in the preceeding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Guttenberg as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2012 on our consideration of the City of Guttenberg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 37 and 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Guttenberg's basic financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the cash balances

at July 1, 2010, as it relates to Schedule 2, as discussed in the third paragraph is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 16, 2012
Elkader, Iowa

Dietz, Donald & Company
Dietz, Donald and Company
Certified Public Accountants
FEIN 42-1172392



City of Guttenberg

502 South First Street
P.O. Box 580
Guttenberg, Iowa 52052-0580

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Guttenberg provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2011 FINANCIAL HIGHLIGHTS

The cash basis net assets of the City's governmental activities decreased \$ 896,904 in part, to completion of several capital projects.

The cash basis net assets of the City's business activities increased \$ 152,599 due to increases in rates.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how government services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.

Other Supplementary Information provides detailed information about the discretely presented component units, the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

The City maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and operational results of funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

The City's Reporting Entity Presentation

This annual report includes all activities for which the City of Guttenberg City Council is fiscally responsible. These activities defined as the City's reporting entity, are operated within a separate legal entity that is the primary government and other separate legal entities that are included as component units.

The primary government consists of one legal entity, the City of Guttenberg.

The component unit presentation consists of two legal entities, the Guttenberg Municipal Hospital and the Guttenberg Firefighters Association.

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into three kinds of activities.

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the water works, sanitary sewer and electric systems. These activities are financed primarily by user fees and related charges.

Discretely Presented Component Units consist of the Guttenberg Municipal Hospital and the Guttenberg Firefighter's Association, legally separate organizations that have the potential to provide specific benefits or impose specific financial burdens on the City.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Local Option Sales Tax and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and the

Internal Service Fund. Enterprise funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Electric Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$ 2,022,800 to \$ 1,125,896. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30, 2011</u>
Receipts:	
Program receipts:	
Charges for service	\$ 477,289
Operating grants, contributions and restricted interest	210,370
Capital grants, contributions and restricted interest	1,049,890
General receipts:	
Property tax	1,077,703
Local option taxes	181,653
Unrestricted grants	4,400
Unrestricted interest on investments	1,913
Bond proceeds	372,737
Other general receipts	22,610
	<u>3,398,565</u>
Disbursements:	
Public safety	485,617
Public works	395,843
Health and social services	5,613
Culture and recreation	355,651
Community and economic development	260,072
General government	226,101
Debt service	521,336
Capital projects	2,151,252
Total disbursements	<u>4,401,485</u>
Change in cash basis net assets before transfers	(1,002,920)
Transfers, net	106,016
Change in cash basis net assets	(896,904)
Cash basis net assets beginning of year	2,022,800
Cash basis net assets end of year	<u>\$ 1,125,896</u>

The cash basis net assets of the City's governmental funds decreased primarily due to completion of capital projects during the year.

The cost of all governmental activities this year was \$ 4,401,485. However, as shown in the Statement of Activities and Net Assets on page 16-17, the amount taxpayers ultimately financed for these activities was only \$ 2,663,936 because some of the cost was paid by those directly benefited from the programs (\$ 477,289) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 1,260,260). The City paid for the remaining "public benefit" portion of governmental activities with \$ 1,259,356 in tax (some of which could only be used for certain programs) and other receipts such as issuing bonds.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 362,622
Sewer	353,112
Electric	2,302,336
Storm water	12,346
Capital grants	500,000
General receipts:	
Unrestricted interest on investments	3,825
Bond proceeds	598,667
Other receipts	5,174
Total receipts	<u>4,138,082</u>
Disbursements:	
Water	244,739
Sewer	1,509,672
Electric	2,102,999
Storm water	22,057
Total disbursements	<u>3,879,467</u>
Change in cash basis net assets before transfers	258,615
Transfers, net	<u>(106,016)</u>
Change in cash basis net assets	152,599
Cash basis net assets beginning of year	831,609
Cash basis net assets end of year	<u><u>\$ 984,208</u></u>

Total business type activities cash basis net assets increased from a year ago, from \$ 831,609 to \$ 984,208. The overall increase is a result

of the City collecting additional utility fees and completing financing for a capital project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Guttenberg completed the year, its governmental funds reported a combined fund balance of \$ 1,125,896, a decrease of \$ 896,904 from last year's total of \$ 2,022,800. The following are the major reasons for the changes in the fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 14,625 from the prior year to a year-end balance of \$ 507,322. This increase was primarily due to a decrease in General Fund disbursements.

The Special Revenue, Employee Benefit Fund cash balance increased \$ 7,449 to \$ 180,663 as disbursements for the year were less than property tax receipts.

The Special Revenue, Local Option Sales Tax Fund cash balance increased \$ 39,396 to \$ 178,223 as sales tax collected of \$ 153,024 exceeded disbursements.

The Special Revenue, Revolving Loan Fund cash balance decreased \$ 149,169 to \$ 235,042 as \$ 180,000 was transferred to the Guttenberg Economic and Industrial Development Committee to purchase additional property in the City.

The Debt Service Fund cash balance decreased \$ 39,325 to a balance of \$ 5,035 as previously accumulated funds were used to retire debt.

The Capital Projects Fund cash balance decreased \$ 736,524 to a deficit of \$ 357,229. Over \$ 2.116 million was spent on capital projects in fiscal 2011.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased \$ 92,384 to a year-end balance of \$ 126,437. This increase was due primarily to an increase in water receipts.

The Sewer Fund cash balance decreased \$ 56,355 to a year-end balance of \$ 338,430. The decrease was due to \$ 1,198,246 being spent on a capital project, while current year financing for the project totaled only \$ 1,098,667.

The Electric Fund, cash balance increased \$ 126,471 to a year-end balance of \$ 461,882.

BUDGETARY HIGHLIGHTS

Over the course of the year the City amended its budget once. The amendment was approved on May 11, 2011 and included an additional \$ 200,000 for flood control and \$ 500,000 for additional electrical disbursements.

The City's receipts were \$ 1,090,010 more than budgeted. This was primarily due to a \$ 500,000 grant that was not included in the budget and utility receipts being \$ 517,324 more than budgeted.

Total disbursements were \$ 1,157,679 less than budgeted. This was primarily due to the City overestimating the cost of flood control and the municipal marina.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$ 3,905,644 in bonds and notes outstanding compared to \$ 3,403,770 last year. The chart below segregates the City's debt into its component parts.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation notes	\$ 485,000	597,835
General obligation bonds	1,915,000	2,170,000
TIF revenue notes	-	53,695
Revenue bonds	1,505,644	582,240
Total	\$ 3,905,644	3,403,770

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is \$ 2,400,000 well below its constitutional debt limit of \$ 5,705,581.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Guttenberg's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget. The City

population has trended downward over the last 40 years. Assessed valuations rose approximately 0.8%.

The City's total property tax levy was set at \$ 14.82453 per \$ 1,000 of taxable valuation, a 1.8% decrease from fiscal year 2011. Comparisons between the 2011 and 2012 budgets are difficult, since the municipal hospital was not included in the 2011 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 280,000 by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about the report or need additional financial information contact Barry Dykhuizen, City Manager, P.O. Box 580, Guttenberg, Iowa 52052.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF GILNBERG
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2011

Functions/Programs: Governmental activities:	Disbursements	Program Receipts			Primary Government			Aggregate Discretely Presented Component Units
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets	Governmental Activities	Business Type Activities	Total
Public safety	\$ 485,617	44,966	1,269	-	(439,382)	-	-	(439,382)
Public works	395,863	213,235	190,296	-	7,688	-	-	7,688
Health and social services	5,613	-	-	-	(5,613)	-	-	(5,613)
Culture and recreation	335,651	133,284	15,504	-	(206,863)	-	-	(206,863)
Community and economic development	260,072	61,720	2,775	-	(195,577)	-	-	(195,577)
General government	226,101	23,784	-	-	(202,317)	-	-	(202,317)
Debt service	321,336	-	526	-	(520,810)	-	-	(520,810)
Capital projects	2,151,252	300	-	1,049,890	(1,101,062)	-	(1,101,062)	-
Total governmental activities	4,401,485	477,289	210,370	1,049,890	(2,663,936)	-	(2,663,936)	-
Business type activities:								
Water	244,739	362,622	-	-	117,883	117,883	-	117,883
Sewer	1,509,672	353,112	-	500,000	(656,560)	(656,560)	-	(656,560)
Electric	2,102,999	2,302,336	-	-	199,337	199,337	-	199,337
Storm water	22,057	12,346	-	-	(9,711)	(9,711)	-	(9,711)
Total business type activities	3,879,467	3,030,416	-	500,000	(349,051)	(349,051)	-	(349,051)
Total primary government activities	\$ 8,280,952	\$ 3,507,705	210,370	1,549,890	(2,663,936)	(349,051)	(3,012,987)	(17,057,857)
Aggregate discretely presented component units	\$ 26,659,640	8,812,797	392,452	396,534				
General Receipts and Transfers:								
Property tax and other city tax levied for:								
General purposes								
Debt service								
Tax increment financing								
Local option sales tax								
Hotel/motel tax								
Grants not restricted to specific purpose								
Unrestricted earnings on investments								
Road proceeds								
Miscellaneous								
Sale of assets								
Transfers								
Total general receipts and transfers								
Change in cash basis net assets								
Cash basis net assets beginning of year								
Cash basis net assets end of year								

(continued)

CITY OF GUTTENBERG
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2011

	Primary Government			Aggregate Discretely Presented Component Units
	Governmental Activities	Business Type Activities	Total	
Cash Basis Net Assets:				
Restricted:				
Nonexpendable:				
Community Foundation	\$ -	-	-	10,000
Cemetery perpetual care	83,149	-	83,149	-
Meter deposits	-	9,811	9,811	-
Expendable:				
Urban renewal purposes	98,498	-	98,498	-
Debt service	5,035	111,179	116,214	2,855,128
Economic development	310,792	-	310,792	-
Streets	266,209	-	266,209	-
Watershed improvement	26,166	-	26,166	-
Other purposes	185,954	-	185,954	334,311
Unrestricted	150,093	863,218	1,013,311	4,028,995
Total cash basis net assets	\$ 1,125,896	984,208	2,110,104	7,228,394

See notes to the financial statements.

Exhibit B

CITY OF GUTTENBERG
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

	Special Revenue							Total
	General	Employee Benefit	Local Option Sales Tax	Revolving Loan	Debt Service	Capital Projects	Nonmajor	
Receipts:								
Property tax	\$ 533,536	175,607	-	-	232,559	-	-	941,702
Tax increment financing	-	-	-	-	-	-	124,706	124,706
Other city tax	35,126	2,142	153,024	-	2,656	-	-	192,948
Licenses and permits	7,200	-	-	-	-	-	-	7,200
Use of money and property	41,362	604	15,715	1,545	526	367	61,324	121,443
Intergovernmental	79,883	-	-	-	-	998,291	232,539	1,310,715
Charges for service	257,618	-	-	-	-	-	-	257,618
Special assessments	-	-	5,955	-	-	-	-	5,955
Miscellaneous	43,436	-	-	-	-	8,200	11,905	63,541
Total receipts	998,163	178,353	174,694	1,545	235,741	1,006,858	430,474	3,025,828
Disbursements:								
Operating:								
Public safety	415,802	69,815	-	-	-	-	-	485,617
Public works	200,259	33,724	9,632	-	-	-	152,228	395,843
Health and social services	5,464	-	-	-	-	-	149	5,613
Culture and recreation	328,771	26,880	-	-	-	-	-	355,651
Community and economic development	27,754	-	-	-	-	-	232,318	260,072
General government	185,616	40,485	-	-	-	-	-	226,101
Debt service	-	-	-	-	521,336	-	-	521,336
Capital projects	-	-	-	-	-	2,116,119	35,133	2,151,252
Total disbursements	1,163,666	170,904	9,632	-	521,336	2,116,119	419,828	4,401,485
Excess (deficiency) of receipts over (under) disbursements	(165,503)	7,449	165,062	1,545	(285,595)	(1,109,261)	10,646	(1,375,657)
Other financing sources (uses):								
Bond proceeds	-	-	-	-	-	372,737	-	372,737
Operating transfers in	180,128	-	-	29,286	246,270	-	180,000	635,684
Operating transfers out	-	-	(125,666)	(180,000)	-	-	(224,002)	(529,668)
Total other financing sources (uses)	180,128	-	(125,666)	(150,714)	246,270	372,737	(44,002)	478,753
Net change in cash balances	14,625	7,449	39,396	(149,169)	(39,325)	(736,524)	(33,356)	(896,904)
Cash balances beginning of year	492,697	173,214	138,827	384,211	44,360	379,295	410,196	2,022,800
Cash balances end of year	\$ 507,322	\$ 180,663	\$ 178,223	\$ 235,042	\$ 5,035	\$ (357,229)	\$ 376,840	\$ 1,125,896

(continued)

Exhibit B
(continued)

CITY OF GUTTENBERG
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

	Special Revenue							Total
	General	Employee Benefit	Local Option Sales Tax	Revolving Loan	Debt Service	Capital Projects	Nonmajor	
Cash Basis Fund Balances:								
Non-spendable								
Cemetery perpetual care	\$ -	-	-	-	-	-	83,149	83,149
Restricted for:								
Urban renewal purposes	-	-	-	-	-	-	98,498	98,498
Debt service	-	-	-	-	5,035	-	5,035	5,035
Economic development	-	-	-	235,042	-	-	75,750	310,792
Streets	-	-	178,223	-	-	-	87,986	266,209
Watershed improvement	-	-	-	-	-	-	26,166	26,166
Other purposes	-	180,663	-	-	-	-	5,291	185,954
Committed for:								
Library	84,705	-	-	-	-	-	-	84,705
Recreation	8,854	-	-	-	-	30,173	-	39,027
Ambulance replacement	24,123	-	-	-	-	-	-	24,123
Pire truck replacement	4,497	-	-	-	-	-	-	4,497
Cemetery	60,837	-	-	-	-	45,611	-	106,448
Flood control	-	-	-	-	-	202	-	202
Unassigned	324,306	-	-	-	-	(433,215)	-	(108,909)
Total cash basis fund balances	\$ 507,322	180,663	178,223	235,042	5,035	(357,229)	376,840	1,125,896

See notes to financial statements.

Exhibit C

CITY OF GUTTENBERG
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2012

	Enterprise					Internal Service
	Water	Sewer	Electric	Nonmajor Storm Water	Total	Payroll
Operating receipts:						
Charges for service	\$ 362,622	353,112	2,302,336	12,346	3,030,416	412,606
Operating disbursements:						
Business type activities	212,547	260,650	2,102,999	22,057	2,598,253	412,897
Excess (deficiency) of operating receipts over (under) operating disbursements	150,075	92,462	199,337	(9,711)	432,163	(291)
Non-operating receipts (disbursements):						
Intergovernmental	-	500,000	-	-	500,000	-
Interest on investments	389	1,538	1,797	101	3,825	-
Meter deposits	-	-	5,465	-	5,465	-
Revenue bond proceeds	-	598,667	-	-	598,667	-
Debt service	(32,192)	(50,776)	-	-	(82,968)	-
Capital projects	-	(1,198,246)	-	-	(1,198,246)	-
Net non-operating receipts (disbursements)	(31,803)	(148,817)	7,262	101	(173,257)	-
Excess (deficiency) of receipts over (under) disbursements	118,272	(56,355)	206,599	(9,610)	258,906	(291)
Operating transfers:						
In	-	-	100,000	-	100,000	-
Out	(25,888)	-	(180,128)	-	(206,016)	-
Net operating transfers	(25,888)	-	(80,128)	-	(106,016)	-
Net change in cash balances	92,384	(56,355)	126,471	(9,610)	152,890	(291)
Cash balances beginning of year	34,053	394,785	335,411	35,705	799,954	31,655
Cash balances end of year	\$ 126,437	338,430	461,882	26,095	952,844	31,364
Cash Basis Fund Balances:						
Restricted:						
Nonexpendable:						
Meter deposits	\$ -	-	9,811	-	9,811	-
Expendable:						
Debt service	42,808	68,371	-	-	111,179	-
Unrestricted	83,629	270,059	452,071	26,095	831,854	31,364
Total cash basis fund balances	\$ 126,437	338,430	461,882	26,095	952,844	31,364

See notes to financial statements.

CITY OF GUTTENBERG
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
 PROPRIETARY FUNDS
 As of and for the year Ended June 30, 2011

Total enterprise funds cash balance (page 20)	\$ 952,844
---	------------

Amounts reported for business type activities in the
 Statement of Activities are different because:

The Internal Service Fund is used by management
 to charge the costs of payroll to individual funds.
 The assets of the Internal Service Fund are included
 in business type activities in the Statement of
 Net Assets

31,364

Cash basis net assets of business type activities (page 16)	<u>\$ 984,208</u>
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Net change in cash balances (page 20)	\$ 152,890
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Amounts reported for business type activities in the
 Statement of Activities and Net Assets are different
 because:

The Internal Service Fund is used by managment
 to charge the costs of payroll to individual funds.
 The change in net assets of the Internal Service
 Fund is reported with business type activities

(291)

Change in cash balance of business type activities (page 16)	<u>\$ 152,599</u>
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See notes to financial statements.

CITY OF GUTTENBERG
Notes to Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Guttenberg is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Guttenberg has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has three component units which meet the Governmental Accounting Standards Board criteria.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. The component units funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The City has one component unit that meets the blending criteria.

The Guttenberg Economic and Industrial Development Committee (GEIDC) was organized under Chapter 504A of the Code of Iowa as a non-profit organization that uses funds from the City Revolving Loan Fund to purchase properties in the City that have development potential. It is included in GEIDC Special Revenue Fund.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component units that are discretely presented in the City's report are presented below:

Guttenberg Municipal Hospital

Guttenberg Municipal Hospital (Hospital) is a 25-bed public hospital located in the City. It is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for alternating terms of four years. The Hospital issues a publicly available audited financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Guttenberg Municipal Hospital; Attn: Administration; P.O. Box 550; Guttenberg, Iowa 52052-0550.

Guttenberg Firefighter's Association

The Guttenberg Firefighter's Association was created in April, 2009 to collect donations which are used to purchase items not included in the City's budget and to make donations to the City to help finance the purchase of fire equipment. Although all volunteer fireman are approved by the City Council, the Association elects its own governing board. The Guttenberg Firefighter's Association does not issue separately audited component unit financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Agency and the Clayton County Joint E911 Service Board, Clayton County Solid Waste Management Commission and Clayton County Communications Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary act-

ivities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component units are reported as if they are classified separately from internal activities within the primary government.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City.

All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Employee Benefit Fund is used to account for the property taxes collected under the employee benefit levy to be used for paying employee benefits with the exception of those paid through Enterprise Funds.

The Local Option Sales Tax Fund is used to account for the sales tax allocation from the State of Iowa to be used according to voter referendum.

The Revolving Loan Fund is used to account for the receipts from revolving loan proceeds collected from borrowers to help stimulate economic development in the area.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City

and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used for specific purposes pursuant to constraints formally imposed by the Council through ordinance or resolution approved prior to year end.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Guttenberg Municipal Hospital includes the Community Foundation. Disclosures about the Foundation's investments are included in the Guttenberg Municipal Hospital's financial statements.

(3) **Long Term Debt**

General Obligation Bonds and Notes

Annual debt service requirements to maturity for general obligation bonds and notes at June 30, 2011 are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 270,000	65,352	100,000	20,178	370,000	85,530
2013	155,000	59,123	105,000	16,152	260,000	75,275
2014	165,000	54,710	110,000	11,848	275,000	66,558
2015	170,000	49,660	110,000	7,255	280,000	56,915
2016	175,000	44,125	60,000	2,580	235,000	46,705
2017-2021	575,000	153,322	-	-	575,000	153,322
2022-2024	405,000	35,350	-	-	405,000	35,350
Total	\$ 1,915,000	461,642	485,000	58,013	2,400,000	519,655

Sewer Revenue Bonds

On September 10, 2008, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 600,000 of sewer revenue bonds with interest at 3% per annum. The bonds were issued pursuant to the provisions of Section 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of constructing improvements and extensions to the City's sewer system. Upon request, the Trustee will reimburse the City for costs as they are incurred. At June 30, 2011, the City had drawn \$ 543,000, including a \$ 6,000 initiation fee, of the \$ 600,000 authorized and made principal payments of \$ 67,000 and interest payments of \$ 29,712, leaving a principal balance of \$ 499,000 at June 30, 2011. Wells Fargo Bank Iowa, N.A. has the remaining balance of \$ 47,000 held in trust, which the City will request as the project progresses. A formal repayment schedule has not been adopted for the debt.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 600,000 of sewer revenue bonds issued on September 10, 2008 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds are payable solely from sewer customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 37,970 and \$ 92,462 respectively.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

- (b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

On September 29, 2010, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 1,267,000 of sewer revenue bonds with interest at 3% per annum. The bonds were issued pursuant to the provisions of Section 384.24A and 384.83 of the Code of Iowa for the purpose of constructing improvements and extensions to the City's sewer-system. Upon request, the Trustee will reimburse the City for costs as they are incurred. At June 30, 2011, the City had drawn \$ 681,907, including a \$ 12,670 initiation fee, of the \$ 1,267,000 authorized and made interest payments of \$ 7,755. Wells Fargo Bank Iowa, N.A. has the remaining balance of \$ 585,093 held in trust, which the City will request as the project progresses. A formal repayment schedule has not been adopted for the debt.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 1,267,000 of sewer revenue bonds, issued on September 29, 2010 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance. The bonds are payable from sewer customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 7,755 and \$ 92,462, respectively.

The resolution providing for the issuance of the sewer revenue bonds include the following provisions:

- (c) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

Water Revenue Bonds

On September 29, 2010, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 702,000 of water revenue bonds with

interest at 3% per annum. The bonds were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of construction improvements and extensions to the City's water system. Upon request, the Trustee will reimburse the City for costs as they are incurred. At June 30, 2011, the City had drawn \$ 372,737, including a \$ 7,020 initiation fee, of the \$ 702,000 authorized and made principal payments of \$ 25,000 and interest payments of \$ 4,704, leaving a principal balance of \$ 347,737 at June 30, 2011. Wells Fargo Bank Iowa, N.A. has the remaining balance of \$ 329,263 held in trust, which the City will request as the project progresses. A formal repayment schedule has not been adopted for the debt.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$ 702,000 of water revenue bonds issued on September 29, 2010 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds are payable solely from water customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 29,704 and \$ 150,075, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) The rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the water system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

Guttenberg Municipal Hospital Revenue Bonds:

Long-term debt maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 245,880	803,305	1,049,185
2013	399,234	791,557	1,190,791
2014	416,801	774,848	1,191,649
2015	434,606	757,283	1,191,889
2016	452,657	738,865	1,191,522
2017-2021	2,234,500	3,392,057	5,626,557
2022-2026	2,292,523	2,848,039	5,140,562
2027-2031	2,999,775	2,150,040	5,149,815
2032-2036	3,365,529	1,197,001	4,562,530
2037-2041	1,327,826	721,674	2,049,500
2042-2046	1,598,885	450,615	2,049,500
2047-2050	1,498,592	128,507	1,627,099
	<u>\$ 17,266,808</u>	<u>14,753,791</u>	<u>32,020,599</u>

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members were required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2011 were \$ 48,771 equal to the required contributions for the year. The Guttenberg Municipal Hospital's contributions to IPERS for the year ended June 30, 2011 were \$ 235,956 equal to the required contributions for the year.

(5) Other Post Employment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 14 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Medical Associates HMO. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 442 for single coverage and \$1,258 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$ 148,091 and plan members eligible for benefits contributed \$ 9,135 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination,

retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 31,000
Sick leave	<u>39,000</u>
Total	<u>\$ 70,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: Electric	<u>\$ 180,128</u>
Special Revenue: Revolving Loan	Special Revenue: Guttenberg Economic and Industrial Development Committee	<u>29,286</u>
Guttenberg Economic and Industrial Development Committee	Revolving Loan	<u>180,000</u>
Debt Service	Special Revenue: Local Option Sales Tax	125,666
	Urban Renewal Tax Increment	94,716
	Enterprise: Water	<u>25,888</u>
		<u>246,270</u>
Enterprise: Electric	Special Revenue: Urban Renewal Tax Increment	<u>100,000</u>
Total		<u>\$ 735,684</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Leases

The Guttenberg Municipal Hospital leases certain equipment under non-cancellable long-term lease agreements. The leases have been recorded as operating leases. Total equipment rental expense for the operating leases for the year ended June 30, 2011 was \$ 263,312.

Minimum future lease payments for operating leases are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 262,708
2013	251,818
2014	250,828
2015	250,828
2016	<u>104,512</u>
Total minimum future lease payments	<u>\$ 1,120,694</u>

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$ 31,892.

(10) Risk Management

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

The Guttenberg Municipal Hospital is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

Also, the Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$ 1 million per claim and an annual aggregate limit of \$ 3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

(11) Deficit Balances

At June 30, 2011, the Capital Projects Fund had a deficit balance of \$ 357,229. The deficit balance was a result of project cost incurred prior to availability of funds. The deficit will be eliminated upon receipt of bond proceeds and federal grants.

(12) Contingencies

Litigations, Claims, and Other Disputes

The Guttenberg Municipal Hospital is subject to the usual contingencies in the normal course of operations and relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigations, claims, and disputes in process will not be material to the financial position of the Hospital.

Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

(13) Concentration of Credit Risk

Guttenberg Municipal Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2011 is as follows:

	<u>2011</u>
Medicare	35%
Medicaid	3%
Commercial and Other Insurance	39%
Other Third-Party Payors and Patients	<u>23%</u>
	<u>100%</u>

(14) Construction Commitments

The City has entered into construction contracts totaling \$ 2,431,407 for the Riverfront Development and Marina and Wastewater Treatment Plant projects. As of June 30, 2011, \$ 2,140,939 had been paid on the contracts. The remaining \$ 290,468 will be paid as work progresses on these projects.

(15) Subsequent Events

In December, 2011 the City purchased a John Deere endloader for approximately \$ 122,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GUTTENBERG
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES--
BUDGET AND ACTUAL (CASH BASIS)--ALL GOVERNMENTAL AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 941,702	-	-	941,702	943,526	943,526	(1,824)
Tax increment financing	124,706	-	-	124,706	131,187	131,187	(6,481)
Other city tax	192,948	-	-	192,948	178,836	178,836	14,112
Licenses and permits	7,200	-	-	7,200	18,035	18,035	(10,835)
Use of property and money	121,443	3,825	(60,520)	64,748	69,375	69,375	(4,627)
Intergovernmental	1,310,715	500,000	-	1,810,715	1,302,063	1,302,063	508,652
Charges for service	257,618	3,030,416	-	3,288,034	2,770,710	2,770,710	517,324
Special assessments	5,955	-	-	5,955	8,000	8,000	(2,045)
Miscellaneous	63,541	5,465	(10,000)	59,006	53,500	53,500	5,506
Total receipts	3,025,828	3,539,706	(70,520)	6,495,014	5,475,232	5,475,232	1,019,782
Disbursements:							
Public safety	485,617	-	-	485,617	568,044	768,044	282,427
Public works	395,843	-	-	395,843	522,794	522,794	126,951
Health and social services	5,613	-	-	5,613	2,750	6,750	1,137
Culture and recreation	355,651	-	-	355,651	369,665	385,665	30,014
Community and economic development	260,072	-	(232,318)	27,754	224,500	224,500	196,746
General government	226,101	-	-	226,101	234,871	256,871	30,770
Debt service	521,336	-	-	521,336	474,586	544,370	23,034
Business type activities	2,151,252	-	-	2,151,252	2,297,627	2,297,627	146,375
Capital projects	-	3,879,467	-	3,879,467	3,932,010	4,432,010	552,543
Deficiency of receipts under total disbursements	4,401,485	3,879,467	(232,318)	8,048,634	8,626,847	9,438,631	1,389,997
Other financing sources, net	(1,375,657)	(339,761)	161,708	(1,553,620)	(3,151,615)	(3,963,399)	2,409,779
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	478,753	492,651	(150,714)	820,690	2,885,500	2,892,819	(2,072,129)
Balances beginning of year	(896,904)	152,890	11,084	(732,930)	(266,115)	(1,070,580)	337,650
Balances end of year	2,022,800	799,954	(86,834)	2,735,920	1,010,321	2,768,012	(32,092)
	\$ 1,125,896	952,844	(75,750)	2,002,990	744,206	1,697,432	305,558

See accompanying independent auditor's report and notes to required supplementary information--budgetary reporting.

CITY OF GUTTENBERG

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$ 811,784. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF GUTTENBERG
SCHEDULE OF ACTIVITIES AND NET ASSETS-CASH BASIS
AGGREGATE DISCREETLY PRESENTED COMPONENT UNITS
As of and for the Year Ended June 30, 2011

	Program Receipts			Discretely Presented Component Units		
	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Guttenberg Municipal Hospital	Guttenberg Firefighter's Association	Aggregate Discretely Presented Component Units
Discretely presented component unit:						
Guttenberg Municipal Hospital	\$ 26,626,521	8,812,797	351,522	396,534	(17,065,668)	(17,065,668)
Guttenberg Fire-fighter's Association	33,119	-	40,930	-	7,811	7,811
Aggregate discretely presented component units	\$ 26,659,640	8,812,797	392,452	396,534	(17,065,668)	(17,057,857)
General receipts:						
Unrestricted earnings on investments				54,639	85	54,724
Bond proceeds				8,455,000	-	8,455,000
Miscellaneous				94,737	682	95,419
Sale of assets				20,600	-	20,600
Total general receipts				8,624,976	767	8,625,743
Change in cash basis net assets				(8,440,692)	8,578	(8,432,114)
Cash basis net assets beginning of year				15,636,404	24,104	15,660,508
Cash basis net assets end of year				\$ 7,195,712	32,682	7,228,394
Cash basis net assets:						
Restricted:						
Nonexpendable:						
Community Foundation				\$ 10,000	-	10,000
Expendable:						
Debt service				2,855,128	-	2,855,128
Other purposes				334,311	-	334,311
Unrestricted				3,996,273	32,682	4,028,955
Total cash basis net assets				\$ 7,195,712	32,682	7,228,394

See accompanying independent auditor's report.

CITY OF GUTTENBERG
SCHEDULE OF CASH RECEIPTS, DISBURSMENTS
AND CHANGES IN CASH BALANCES
NOMINOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

Schedule 2

	Special Revenue										Permanent		
	Road Use Tax	Urban Renewal Tax	Energy Increment	Project Share	Library Trust	Guttenberg Relief	Watermain Improvement	Economic and Development	Industrial Development	Perpetual Care	Cemetery		Total
Receipts:													
Tax increment financing	-	124,706	-	-	-	-	-	-	-	-	-	\$	124,706
Use of property and money	-	710	-	-	-	-	94	60,520	-	-	-		61,324
Intergovernmental	189,581	-	-	-	-	-	42,958	-	-	-	-		232,539
Miscellaneous	-	-	180	100	-	-	-	10,000	-	-	-		11,905
Total receipts	189,581	125,416	180	100	-	-	43,052	70,520	-	1,625	-		430,474
Disbursements:													
Operating:													
Public works	152,228	-	-	-	-	-	-	-	-	-	-		152,228
Health and social services	-	-	-	-	-	149	-	-	-	-	-		149
Community and economic development	-	-	-	-	-	-	-	232,318	-	-	-		232,318
Capital projects	-	-	-	-	-	-	35,133	-	-	-	-		35,133
Total disbursements	152,228	-	-	-	-	149	35,133	232,318	-	-	-		419,828
Excess (deficiency) of receipts over (under) disbursements	37,353	125,416	180	100	-	(149)	7,919	(161,798)	-	1,625	-		10,646
Other financing sources (uses):													
Operating transfers in	-	(194,716)	-	-	-	-	-	180,000	-	-	-		180,000
Operating transfers out	-	-	-	-	-	-	-	(29,286)	-	-	-		(29,286)
Total other financing sources (uses):	-	(194,716)	-	-	-	-	-	150,714	-	-	-		(44,002)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	37,353	(69,300)	180	100	-	(149)	7,919	(11,084)	-	1,625	-		(33,356)
Balance beginning of year	50,633	167,798	1,006	80	3,752	322	18,247	86,834	-	81,524	-		410,196
Balance end of year	\$ 87,986	\$ 98,498	1,186	180	3,752	173	26,166	75,750	-	83,149	-		376,840
Cash Basis Fund Balances:													
Non-spendable:													
Cemetery perpetual care	-	-	-	-	-	-	-	-	-	83,149	-		83,149
Restricted for:													
Urban renewal purposes	-	98,498	-	-	-	-	-	-	-	-	-		98,498
Streets	87,986	-	-	-	-	-	-	-	-	-	-		87,986
Watermain improvement	-	-	-	-	-	-	26,166	-	-	-	-		26,166
Community and economic development	-	-	-	-	-	-	-	75,750	-	-	-		75,750
Other purposes	-	-	1,186	180	3,752	173	-	-	-	-	-		5,291
	\$ 87,986	\$ 98,498	1,186	180	3,752	173	26,166	75,750	-	83,149	-		376,840

See accompanying independent auditor's report.

CITY OF CUTTENBERG
 SCHEDULE OF INDEBTEDNESS
 Year Ended June 30, 2011

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Primary Government								
Fire equipment	Jun 29, 2005	3.65%	\$ 72,000	12,835	-	12,835	-	468
Water improvement and refunding	Nov 1, 2005	3.90-4.30	475,000	265,000	-	50,000	215,000	10,880
Corporate purpose	Mar 15, 2006	3.95-4.30	490,000	320,000	-	50,000	270,000	13,223
Total				\$ 597,835	-	112,835	485,000	24,571
General obligation bonds:								
Corporate purpose	Nov 14, 2007	3.80-4.10%	\$ 450,000	375,000	-	55,000	320,000	14,910
Martina Refunding	May 15, 2009	1.60-4.40	1,625,000	1,555,000	-	80,000	1,475,000	51,533
Total	Jun 1, 2009	1.60-1.90	355,000	240,000	-	120,000	120,000	4,200
				\$ 2,170,000	-	255,000	1,915,000	70,643
Urban renewal tax increment financing (TIF) revenue notes								
	Jun 1, 2007	4.50%	\$ 72,052	53,695	-	53,695	-	2,342
Revenue bonds:								
Sewer	Sep 10, 2008	3.00%	\$ 543,000	499,000	-	23,000	476,000	14,970
Sewer	Sep 29, 2010	3.00	1,267,000	83,240	598,667	-	681,907	7,755
Water	Sep 29, 2010	3.00	702,000	-	372,737	25,000	347,737	4,704
Total				\$ 582,240	971,404	48,000	1,505,644	27,429
Discretely Presented Component Unit								
Revenue bonds:								
Hospital	Dec 21, 1998	2.23%	1,699,200	920,190	-	107,427	812,763	19,322
Hospital	Dec 21, 1998	2.80	949,700	543,001	-	56,179	486,822	14,418
Hospital	Oct 1, 2009	5.78	6,845,000	6,845,000	-	-	6,845,000	555,592
Hospital	Oct 1, 2009	8.53	761,000	761,000	-	-	761,000	64,913
				\$ 9,069,191	-	163,606	8,905,585	654,155
USDA direct loan revenue bonds								
	Dec 1, 2010	3.75%	\$ 8,455,000	-	8,455,000	93,777	8,361,223	157,652
Revenue bond anticipation notes								
	Dec 1, 2009	1.50%	\$ 7,602,280	7,602,280	-	7,602,280	-	57,017

See accompanying independent auditor's report.

Schedule 4

CITY OF GUTTENBERG
BOND AND NOTE MATURITIES-PRIMARY GOVERNMENT
June 30, 2011

General Obligation Notes					
Year Ending June 30,	Water Improvement and Refunding		General Corporate Purpose		Total
	Issued Interest Rates	Amount	Issued Interest Rates	Amount	
	Nov 1, 2005		Mar 15, 2006		
2012	4.00%	\$ 50,000	4.05%	\$ 50,000	100,000
2013	4.10	55,000	4.10	50,000	105,000
2014	4.20	55,000	4.15	55,000	110,000
2015	4.30	55,000	4.20	55,000	110,000
2016	-	-	4.30	60,000	60,000
		<u>\$ 215,000</u>		<u>\$ 270,000</u>	<u>485,000</u>

Year Ending June 30,	General			General Obligation Bonds		
	Corporate Purpose		Marina		Refunding	
	Issued Interest Rates	Issued Nov 15, 2007 Amount	Issued May 15, 2009 Interest Rates	Issued May 15, 2009 Amount	Issued Jun 1, 2009 Interest Rates	Issued Jun 1, 2009 Amount
2012	3.90%	\$ 55,000	1.90%	\$ 95,000	1.90%	\$ 120,000
2013	3.95	60,000	2.15	95,000	-	-
2014	4.00	65,000	2.45	100,000	-	-
2015	4.05	70,000	2.70	100,000	-	-
2016	4.10	70,000	2.95	105,000	-	-
2017	-	-	3.15	105,000	-	-
2018	-	-	3.40	110,000	-	-
2019	-	-	3.65	115,000	-	-
2020	-	-	3.85	120,000	-	-
2021	-	-	4.00	125,000	-	-
2022	-	-	4.15	130,000	-	-
2023	-	-	4.25	135,000	-	-
2024	-	-	4.40	140,000	-	-
		<u>\$ 320,000</u>		<u>\$ 1,475,000</u>		<u>\$ 120,000</u>
						<u>\$ 1,915,000</u>

See accompanying independent auditor's report.

CITY OF GUTTENBERG
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditure
Direct:			
U.S. Department of Commerce, Economic Development Administration Investment for Public Works and Economic Development Facilities	11.300	-	\$ 792,867
Indirect:			
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	09-WS-024	155,689
U.S. Department of the Interior, U.S. Fish and Wildlife Service Iowa Department of Natural Resources Boating Infrastructure Grant	15.622	FY-08-GT2	<u>64,517</u>
Total			<u>\$ 1,013,073</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Guttenberg and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Guttenberg, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2012. Our report on the financial statements, which were prepared in conformity with an other basis of accounting, expressed qualified opinions since we were not able to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2010. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Guttenberg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Guttenberg's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Guttenberg's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination

of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Guttenberg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Guttenberg's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Guttenberg's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Guttenberg and other parties to whom the City of Guttenberg may report, including federal

awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Guttenberg during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

March 16, 2012

Dietz, Donald & Company
Dietz, Donald and Company
FEIN 42-1172392

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Guttenberg, Iowa, with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Guttenberg's major federal program for the year ended June 30, 2011. The City of Guttenberg's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of the City of Guttenberg's management. Our responsibility is to express an opinion on the City of Guttenberg's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Guttenberg's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Guttenberg's compliance with those requirements.

In our opinion, the City of Guttenberg complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2011.

Internal Control over Compliance

Management of the City of Guttenberg is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Guttenberg's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Guttenberg's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Guttenberg's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Guttenberg's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Guttenberg and other parties to whom the City of Guttenberg may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Elkader, Iowa
March 16, 2012

Dietz, Donald & Company
Dietz, Donald and Company
EIN 42-1172392

CITY OF GUTTENBERG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part I - Summary of the Independent Auditor's Results:

- (a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- (c) No instances of noncompliance material to the financial statements of the City of Guttenberg were disclosed during the audit.
- (d) No material weaknesses relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 11.300, Investment for Public Works and Economic Development Facilities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
- (i) The City of Guttenberg did not qualify as a low-risk auditee.

CITY OF GUTTENBERG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part II - Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III - Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified.

Part IV - Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - Disbursements for the year ended June 30, 2011, did not exceed the amounts budgeted.

IV-B-11 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 Business Transactions - Business Transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Steve Friedlein, Council Member, employee Kann Manufacturing	Dump Truck	\$ 29,848
Julie Zittergruen, Deputy Clerk/Assistant City Manager, brother owns Fassibinder Small Engines	Repair and maintenance	2,044

CITY OF GUTTENBERG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with Julie Zittergruen do not appear to represent a conflict of interest since total transactions were less than \$ 2,500 during the fiscal year. The transactions with Kann Manufacturing may represent a conflict of interest since the total transactions were more than \$ 2,500.

Recommendation - The City should consult legal counsel to determine the disposition of the payments to Kann Manufacturing.

Response - The City will consult legal counsel regarding payments to Kann Manufacturing.

Conclusion - Response accepted.

- IV-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-11 Revenue Bonds - No instances of noncompliance with the revenue bond resolution were noted.
- IV-I-11 Financial Condition - The Capital Projects Fund had a deficit balance of \$ 357,229 at June 30, 2011.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.

Response - The deficit was due to construction costs incurred prior to receipt of bond proceeds and federal grant funds. The deficit was subsequently eliminated.

Conclusion - Response accepted.